IN THE

Supreme Court of The United States

OCTOBER TERM, A. D. 1943.

Nos. 54, 55.

THE MERCOID CORPORATION,
Petitioner,

vs.

MID-CONTINENT INVESTMENT COMPANY and MINNEAPOLIS-HONEYWELL REGULATOR COMPANY,
Respondents.

REPLY BRIEF FOR PETITIONER.

GEORGE L. WILKINSON,
Counsel for Petitioner.

MC CORMICK AND HENDERSON, INC., CHICAGO

INDEX.

	PAGE
Res Adjudicata	2
Neither Minneapolis-Honeywell Stoker Switch Nor Mercoid's Stoker Switch M-61 Is Adapted Solely for Use in the Cross System	8
Univis and Leeds and Catlin Cases	13
Royalties Are Not Paid on Cross Invention but on an Unpatented Thermostatic Switch	16
Petitioner Unfairly Criticized by Mid-Continent	18
Respondent's Inconsistent Positions	20
Cross' Alleged Advance in the Art	22
M-61 Instructions	25
Alleged Commercial Use of Cross System	26
Conclusion	28

Cases Cited.

Baltimore Steamship Co. *v.* Phillips, 274 U. S. 316, 319	3
B. B. Chemical Co. *v.* Ellis, 117 F. 2d 829, 834	9
Bassick *v.* Hollingshead, 298 U. S. 105	13
Carbice Case, 283 U. S. 27	8
Cromwell *v.* County of Sac, 94 U. S. 351, 352	2
I.T.S. Rubber Co. *v.* U. S. Rubber Co., 278 F. 975, 981 Reversed by Court of Appeals, 288, F. 786	5
Leeds & Catlin *v.* Victor Talking Machine Co., 213 U. S. 301, 318, 325	13, 22, 24
Leitch-Barber Case, 302 U. S. 455	8
Lincoln Engineering Co. *v.* Stewart-Warner Co., 203 U. S. 445	13
Mid-Continent *v.* Smith, 106 F. (2d) 631	26
Minnesota *v.* Northern Securities Co., 184 U. S. 199, 235	7
Philad Co. *v.* Lechler, 107 F. 2d 747, 748	8
Powell *v.* Lindsay, 113 U. S. 97, 101	23
Russell *v.* Place, 94 U. S. 606	4
Schlumaker *v.* Cornell, 96 U. S. 549, 554	23
Smith *v.* Mid-Continent Investment Co., 106 F. 2d 622	1
T. R. Wood's Sons Co. *v.* Valley Iron Works, 198 F. 869	5
United States *v.* Univis Lens Co., 316 U. S. 241	13
Waterman *v.* Mackenzie, 138 U. S. 252, 253	7

IN THE

Supreme Court of The United States

OCTOBER TERM, A. D. 1943.

Nos. 54, 55.

THE MERCOID CORPORATION,
Petitioner,

vs.

MID-CONTINENT INVESTMENT COMPANY and MINNEAPOLIS-HONEYWELL REGULATOR COMPANY,
Respondents.

REPLY BRIEF FOR PETITIONER.

Petitioner's original brief quite fully anticipated the arguments presented in respondents' brief, and petitioner therefore will reply briefly only to several contentions advanced by respondents.

Counsel for respondent, Mid-Continent, on page 2 of their brief make the misleading and erroneous statement that two Circuit Courts of Appeals and one District Court have held for respondent and against petitioner, and only one District Court has ruled in part to the contrary.

The two Circuit Courts of Appeals referred to are the Eighth Circuit in *Smith* v. *Mid-Continent Investment Co.*, 106 F. 2d 622, and the Seventh Circuit in the instant case.

In the *Smith* case, the only issues decided were that the Cross patent was valid and infringed by the heating system

Note: Emphasis is ours unless otherwise stated.

installed in the home of the defendant Smith. It did not decide the issues as to respondents' improper use of the Cross patent, or respondents' violation of the Anti-Trust laws, or contributory infringement by petitioner, who was not a party to the Smith suit, although it conducted and controlled the defense therein.

The District Court in the instant case held against respondents and in favor of petitioner as to all of the said three issues. Therefore, the only court which has decided the said issues adversely to petitioner is the Court of Appeals for the Seventh Circuit, whose judgment is now before this Court for review.

RES ADJUDICATA.

Respondent, Mid-Continent, in an effort to avoid review by this Court of the issues of improper use of the Cross patent, violation of the Anti-Trust laws, and contributory infringement, asserts that the judgment in the *Smith* case is *res adjudicata*. On page 15 of their brief, counsel for Mid-Continent state that all other issues than validity of the Cross patent sought to be decided here, were available in the Smith suit, and "therefore are not proper subjects of litigation in this suit".

Counsel for Mid-Continent ignore the well-established principle that a prior judgment is *res adjudicata* in a second suit upon a different cause of action only as to issues actually tried and determined in the prior suit, and not as to issues which might have, but which were not, tried. The decision of this Court in *Cromwell* v. *County of Sac*, 94 U. S. 351, 352, is recognized as a leading authority, and from which the following statement is quoted:

> "*In considering the operation of this judgment*, it should be borne in mind, as stated by counsel, *that there is a difference between the effect of a judgment as*

a bar or estoppel against the prosecution of a second action upon the same claim or demand, and its effect as an estoppel in another action between the same parties upon a different claim or cause of action. In the former case, the judgment, if rendered upon the merits, constitutes an absolute bar to a subsequent action. It is a finality as to the claim or demand in controversy, concluding parties and those in privity with them, not only as to every matter which was offered and received to sustain or defeat the claim or demand, but as to any other admissible matter which might have been offered for that purpose. • • •

But where the second action between the same parties is upon a different claim or demand, the judgment in the prior action operates as an estoppel only as to those matters in issue or points controverted, upon the determination of which the finding or verdict was rendered."

Among the many more recent decisions of this Court reiterating the rule of *res adjudicata* as stated in *Cromwell* v. *County of Sac*, is that in *Baltimore Steamship Co.* v. *Phillips*, 274 U. S. 316, 319, from which the following statement is quoted:

"The effect of a judgment or decree as *res judicata* depends upon whether the second action or suit is upon the same or a different cause of action. *If upon the same cause of action*, the judgment or decree upon the merits in the first case is an absolute bar to the subsequent action or suit between the same parties or those in privity with them, not only in respect of every matter which was actually offered and received to sustain the demand, but also as to every ground of recovery which might have been presented. *But if the second case be upon a different cause of action, the prior judgment or decree operates as an estoppel only as to matters actually in issue or points controverted, upon the determination of which the judgment or decree was rendered. Cromwell* v. *County of Sac*, 94 U. S. 351, 352-353; *United States* v. *Moser*, 266 U. S. 236, 241."

It is clear from the transcript of record in the *Smith* case in Missouri (Pl. Ex. 27) that the only issues or points controverted were the validity and infringement of the Cross patent, and that the issues in the instant case of improper use of the Cross patent, violation of the Anti-Trust laws, and contributory infringement were neither in issue nor points there in controversy.

That the present suit against petitioner for alleged contributory infringement of the Cross patent is not the same cause of action as in *Mid-Continent* v. *Smith* is too clear to require argument. In the Smith suit, the actionable wrong was the use by an individual, Smith, in his home of a heating system embodying the invention of the Cross patent. The instant suit of respondent, Mid-Continent, against petitioner, Mercoid, is for alleged contributory infringement by the manufacture and sale of an unpatented thermostatic switch for use in installing the Cross system. Action in the Smith suit was for an injunction against the use of the patented system and for an accounting for the infringing use. In the instant case the action is for an injunction against the manufacture and sale of an unpatented thermostatic switch, and for an account of profits derived by petitioner from, and damages sustained by respondent by, the sale of such switches.

This Court, in its two decisions above cited, as well as in many others, including *Russell* v. *Place*, 94 U. S. 606, which was a patent infringement suit, has clearly differentiated the same cause of action and a different cause of action, and in view thereof there is no doubt that the instant suit is not on the same cause of action as the Smith suit, and hence the judgment in the Smith suit is *res adjudicata* only as to the issues actually decided, namely, validity and infringement of the Cross patent, and not as to issues which might have been there presented and which are issues in the instant case, namely improper use by respondents of the Cross patent and violation of the Anti-Trust laws.

Furthermore, in the instant case petitioner's controls TJV and M-11, and JMV, which is a combination of TJV and M-11, charged by respondent, Mid-Continent, and held by the Court of Appeals, to constitute contributory infringement of the Cross patent, did not exist at the time of and hence were not involved in the Smith suit, which involved only petitioner's structurally different thermostatic control M-61. As different thermostatic controls are involved in the instant case, it is clearly not for the same cause of action as that tried in the Smith case.

In *I.T.S. Rubber Co.* v. *U. S. Rubber Co.*, 278 F. 975, 981 (reversed by the Court of Appeals on other grounds, 288 F. 786), the Court stated the law upon this point as follows:

> "Defendant relies largely upon the case of *Bradley* v. *Eagle Co.*, 57 Fed. 980, 6 C.C.A. 661. In that case, however, if the machines in the second suit between the parties were not the identical machines involved in the first as indicated by the complaint, they were at least exactly similar as alleged in the answer, so that there was no question involved in the second suit which had not been of necessity determined in the first. Hence the case is not applicable. As already indicated, it is my opinion that where a defendant charged to infringe a patent, after final decree in one case, devises a new and different article also claimed to infringe, a second suit commenced to establish the infringement by way of the second device is upon a different cause of action from the first, and the second resolution of the Supreme Court in the case of *Cromwell* v. *Sac*, 94 U. S. 353 (24 L. Ed. 195) applies."

To the same effect is the following statement in *T. R. Wood's Sons Co.* v. *Valley Iron Works*, 198 F. 869:

> "The infringement here complained of raises a cause of action different and distinct from that litigated in the former action and gives rise to a separate cause of action, which may be the subject of a separate suit."

So far as respondent, Minneapolis-Honeywell, is concerned, the judgment in the Smith suit is not *res adjudicata* as to any issue, inasmuch as it was neither a party to nor in privity with a party to the Smith suit. Minneapolis-Honeywell acquired an exclusive license under the Cross patent in 1931, (R. 450) and the Smith suit was not instituted until 1935. It is well recognized that a party is only in privity when it acquired its rights subsequent to the commencement of the prior suit:

> "No one is in privity to a judgment whose succession to the rights of property thereby affected occurred previously to the institution of the suit." Bouvier's Law Dictionary.
>
> ". . . Judgments are binding upon privies as well as upon parties, but only those are privies, within the meaning of the rule, who acquire their interest in the subject-matter of the suit subsequent to the suit. *Ingersoll* v. *Jewett*, 16 Blatchf. 378, Fed. Cas. No. 7,039. 'No one is privy to a judgment whose succession to the rights of property thereby affected occurred previously to the institution of the suit.' *Freem. Judgm.* § 162." *Carroll* v. *Goldschmidt*, 83 F. 508, 509, C.C.A. 2.

While the Court of Appeals in the instant case recognized (R. 922) that respondent, Mid-Continent, contended that the Smith case was *res adjudicata* as to all questions which were there decided, or which might have been put in issue and decided in that case, it clearly did not acquiesce in such contention, for it considered at length in its opinion the issues of improper use of the Cross patent by respondents and violation of the Anti-Trust laws. That respondents themselves do not take seriously their contention that the Smith suit is *res adjudicata* as to issues not actually decided therein, is evident from the length at which they present arguments on the merits of the issues involved in the instant case and which were not decided in the *Smith* case.

Minneapolis-Honeywell asserts that it "is not involved in

the controversies over misuse of the patent as a bar to suit for infringement, contributory infringement or validity", (page 3 of its brief), and that "The only issue involving Honeywell is raised by Mercoid's assertion that Mid-Continent and Honeywell have improperly used the patent to monopolize an unpatented part" (page 4 of its brief).

Minneapolis-Honeywell being the exclusive licensee under the Cross patent in suit, the District Court, upon motion by petitioner, ordered that it be made a party plaintiff (R. 26). Obviously an exclusive licensee under a patent, which this Court has held is in effect an assignee (*Waterman* v. *Mackenzie*, 138 U. S. 252, 253), should be joined with the owner of the naked legal title as plaintiff in order that all questions necessary to complete adjudication of all issues involved in the subject-matter of the original bill, may be adjudicated. Rule 19(a) of Rules of Civil Procedure for the District Courts of the United States, under authority of which the District Court ordered Minneapolis-Honeywell be made a party plaintiff, is obviously intended to adopt the former equity rule, the purpose of which was stated as follows by this Court in *Minnesota* v. *Northern Securities Co.*, 184 U. S. 199, 235:

> "The general rule in equity is that all persons materially interested, either legally or beneficially, in the subject-matter of a suit, are to be made parties to it, so that there may be a complete decree, which shall bind them all. By this means the court is enabled to make a complete decree between the parties, to prevent future litigation, by taking away the necessity of a multiplicity of suits, and to make it perfectly certain that no injustice is done, either to the parties before it, or to others who are interested in the subject-matter, by a decree which might otherwise be granted upon a partial view only of the real merits. When all the parties are before the court, the whole case may be seen; but it may not, where all the conflicting interests are not brought out upon the pleadings by the original parties thereto. Story's Eq. Plds. sec. 72."

NEITHER MINNEAPOLIS-HONEYWELL STOKER SWITCH NOR MERCOID'S STOKER SWITCH M-61 IS ADAPTED SOLELY FOR USE IN THE CROSS SYSTEM.

Counsel for respondent, Mid-Continent, repeatedly assert in their brief that the stoker switch which it licenses Minneapolis-Honeywell, and through it sub-licensees, to sell for use in the Cross system, is especially designed and adapted for use in the Cross system, and counsel for respondent, Minneapolis-Honeywell, in their brief repeatedly assert (page 11 for instance) that the stoker switches which it makes and sells, and licenses others to sell, have no other use than in the Cross combination. Such assertions were obviously made in an effort to distinguish the case at bar from the decisions of this Court in the *Carbice Case*, 283 U. S. 27, and the *Leitch-Barber Case*, 302 U. S. 455, in which the dry ice in the *Carbice* case, and the bituminous emulsion in the *Leitch-Barber* case, were staple articles of commerce.

The controlling factor in each of the said decisions of this Court was that the article sold by the alleged contributory infringer was not covered by the complainant's patent, and hence the complainant was seeking an unauthorized extension of its monopoly. If the article is unpatented, there obviously would be an unauthorized extension of the monopoly irrespective of whether it is a staple commodity or especially adapted for use in practicing the patented invention. Such is the logical construction of the said decisions of this Court by the Courts of Appeals for the Second and First Circuits. In *Philad Co.* v. *Lechler*, 107 F. 2d 747, 748, the Circuit Court of Appeals for the Second Circuit said:

> "It is urged that the rule of the *Carbice* case covers only an effort of a patentee to control the use of staple

materials, carbon dioxide in the *Carbice* case, bituminous emulsion in the *Leitch* case," * * * "There is no support for any such limitation on the rule. In both the *Carbice* case and the *Leitch* case the emphasis was on the fact that the articles handled by the alleged contributory infringers were not covered by the patent."

In *B. B. Chemical Co.* v. *Ellis*, 117 F. 2d 829, 834, the Circuit Court of Appeals for the First Circuit said:

"The plaintiff seeks to prevent the application of this rule to this case by limiting the doctrine to those situations in which the alleged contributory infringer supplies staple articles of commerce. * * * We do not consider that to have been intended as a limitation upon the doctrine of the *Leitch* and *Carbice* cases. The language of those cases is extremely comprehensive and is by no means restricted to staple articles. * * * There is every indication that the *Carbice* and *Leitch* cases apply to specially designed non-patented articles."

The record in the case at bar, however, does not support respondents' said contentions, nor the statement of the Court of Appeals relative to petitioner's M-61 thermostatic switch, that "The record discloses no other use, and Mercoid suggests none". (R. 919.)

Mr. Cross, secretary-treasurer of respondent, Mid-Continent, testified that Minneapolis-Honeywell sometimes requested permission to sell combustion stoker switches, (for the sale of which it was obligated to pay royalties to respondent, Mid-Continent) for other purposes than as a stoker switch. Mr. Cross testified (R. 109):

"Q. Did you have any means of checking up upon what happened to these combustion stoker switches, so you could determine whether or not they were actually used in a heating system?

A. We had merely the privilege of auditing and investigation of Minneapolis' records.

Q. Merely examining the records?

A. Yes.

Q. Would that show definitely that when they sold a stoker switch it was to be put in a heating system?

A. Ordinarily.

Q. Ordinarily, but you were not positive?

A. *Well, sometimes there were requests on their part to sell a control, termed a stoker switch, for some other purpose.*

Q. Then they did use stoker switches for some other purposes, did they?

A. I presume so, but I am not sure of it."

Obviously Minneapolis-Honeywell would not have requested permission to sell stoker switches and controls for some other purpose than in the Cross system unless they were adapted for some other use.

The testimony of Mr. Cross is inconsistent with the testimony of another witness for respondents, namely, Mr. Sweatt, president of Minneapolis-Honeywell, who testified regarding the temperature control on which his company was obligated to pay royalties under the Cross patent to Mid-Continent, as follows:

"Q. You can sell that to somebody else for some other purpose?

A. It would have no other purpose.

Q. It would have no other purpose? It is just manufactured —

A. For stoker control.

Q. For the purpose for which it was manufactured before you ever got the license agreement?

A. For stoker control, the same purpose."

The testimony of Mr. Sweatt is in direct conflict with the representations made by his company in its March 30, 1933 catalogue, (R. 593, 597), in which it is stated that its Stokerswitch "offers three distinct features in one unit — Holdfire Control — Outfire Control — High Temperature Cutoff". The complete statement is as follows:

"STOKERSWITCHES

"The Stokerswitch offers three distinct features in one unit — Holdfire Control — Outfire Control — High Temperature Cutoff. The Stokerswitch operates the stoker from stack temperature which is a true indication of fuel bed conditions. Therefore, the stoker operates only as often as the conditions of the fire requires. The Outfire feature stops the stoker if the fire is extinguished from any cause or if the element temperature drops to approximately 95°. If the temperature of the Stokerswitch element becomes excessive, the High Temperature Cutoff feature interrupts the stoker operation for a short time increasing efficiency and reducing any tendency to pile up excessive fuel." (R. 597.)

If, as counsel for respondents seem to think, it is an important consideration in distinguishing the case at bar from the decisions of this Court in the *Carbice* and *Leitch-Barber* cases, that the "combustion stoker switch", which Minneapolis-Honeywell is exclusively licensed to sell under the Cross patent, has no other purpose than for use in the Cross system, respondents have failed to establish such as a fact.

Respondent, Mid-Continent, in support of its charge that the sale by petitioner of its thermostatic switch M-61 constitutes a contributory infringement of the Cross patent, asserts (brief p. 17) that petitioner's control M-61 "was designed, advertised and primarily intended for use in the patented system". The record does not accord with the position of respondent; Mid-Continent, in this respect. Mr. Schultz, petitioner's expert witness, testified that the M-61 serves three different purposes, as follows:

"Q. What is the purpose of this Mercoid M-61 stoker control?

"A. That control served three definite purposes.

"One purpose was to prevent extinguishment of the fire, of the stoker fire, during long periods when the room thermostat would not call for heat and accordingly would keep its electric circuit open.

"The next application of the Type M-61 control was to act as an over temperature control. That is, when it was installed in the stack and was set for a high temperature, when that high temperature would be reached it would then open the circuit, because the boiler was operating at maximum efficiency, and by thus stopping the stoker it would conserve fuel and result in more economical operation.

"Q. You mean, it would act in the same manner as a furnace control?

"A. It would act as a temperature limit control, but as a stack temperature limit control merely to conserve fuel.

"There was a third application for that control, wherein it was employed as an out fire control. The only difference when the instrument was employed as an out fire control was that it was arranged to break the electric circuit on a drop in stack temperature; that is, the Mercoid switch was reversed in its position, and to distinguish that control from the control which opened its circuit on a rise in temperature the out fire control was given the designation of Type M-63." (R. 220, 221.)

The testimony of Mr. Schultz is in accord with the statements made in petitioner's bulletin A-10, Defendant's Exhibit K (R. 562, 568), which illustrates diagrams and circuits for the use of petitioner's type M-61 stoker control both as to "high" and "low" temperatures to meet the variety of problems encountered in stoker installations. If, as counsel for respondent, Mid-Continent, seem to think, the charge of contributory infringement against petitioner would be strengthened if its M-61 is only adapted for use in the Cross system, the record affords them no support.

There is no competition between respondents and petitioner in the exploitation of the patented system, but only in the sale of thermostatic switches not within the patent monopoly, which competition respondents seek to suppress by this suit based upon alleged violation of their patented monopoly.

Respondents have no right to be free from competition in the sale of thermostatic switches, as they are beyond the scope of their monopoly.

UNIVIS AND LEEDS AND CATLIN CASES.

Counsel for respondents strongly rely in support of their arguments that the exploitation by respondents of the Cross patent to monopolize an unpatented thermostatic switch is legal, and that the manufacture and sale of such unpatented thermostatic switch by petitioner constitutes contributory infringement of the Cross patent, on the decisions of this Court in *Leeds & Catlin* v. *Victor Talking Machine Co.*, 213 U. S. 325, and *United States* v. *Univis Lens Co.*, 316 U. S. 241.

In petitioner's original brief, the facts which distinguish the *Leeds & Catlin* case from the case at bar were pointed out. This Court explained in its later decisions in *Bassick* v. *Hollingshead*, 298 U. S. 105, and in *Lincoln Engineering Co.* v. *Stewart-Warner Co.*, 203 U. S. 445, that in the *Leeds & Catlin* case the flat disc record, the manufacture and sale of which was held to constitute a contributory infringement of the Berliner patent, possessed no utility except in combination with the stylus of a talking machine, and that "the disc not only performed a new function but performed it in combination with another new element,—the swinging arm which carried the needle."

Berliner had made an important invention in talking machines,—a record having laterally undulating grooves which accomplished the two apparently conflicting func-

tions of bodily moving the stylus laterally of the record and at the same time imparting to the stylus lateral sound reproducing vibrations, thereby avoiding what had been regarded previously as necessary, namely, mechanical means for positively moving the stylus radially of the record while being vibrated by vertical undulations in the record. The novel concept of Berliner was a record having lateral undulations which simultaneously vibrated the stylus and propelled it radially of the record. The record had no other use than in the patented talking machine. The Berliner patent did not have a claim for the record *per se*, in which resided his real invention, and in order that he might have adequate protection for his revolutionary invention, this Court held that he could enjoin as a contributory infringement of his patent, one who made and sold, for use in his patented talking machine, records embodying his important contribution to the art.

In the case at bar, the stoker switch of the Cross patent possesses no novelty but is merely an old and well-known thermostatic control performing its usual function when used in the Cross system.

This Court in the *Carbice* case, in distinguishing the facts there involved from the *Leeds & Catlin* case, pointed out that in the latter case the Victor Company, assignee of Berliner, sold machines embodying the patented combination, and that the defendant "Leeds and Catlin were held to be infringers because the intended incorporation in the Victor machine of the article which they sold." In the instant case, as in the *Carbice* and *Leitch-Barber* cases, the patent owner does not manufacture or sell the patented system, but merely an unpatented device, which it endeavors to so extend the Cross patent as to monopolize.

In the case at bar, the typical thermostatic switch disclosed in the Cross patent, upon which respondent en-

deavors to support its practices of monopolizing "special switches" under the Cross patent, possessed utility, and had long been used for controlling various circuits, prior to the Cross system. In the Cross system it performs only the same function which it has always performed, namely, that of opening or closing circuits according to the temperature to which it is subjected. It is indeed a far cry to compare the disc record in the *Leeds & Catlin* case with the old type of thermostatic switch employed in the Cross system, where it performs no new function but only the function which it performs wherever used.

The *Univis* case was not one for contributory infringement. It was a suit instituted by the United States for violation of the Sherman Act. This Court held that the sale of the blank after it had been ground and polished constituted a resale of the previously sold blank. This Court said:

> "• • • The injunction of the District Court will therefore be continued, and extended so as to suppress all the license contracts and the maintenance of the licensing system which appellees have established, other than the Corporation's license to the Lens Company."

The blank in the *Univis* case is clearly not comparable to an ordinary thermostatic switch used in the Cross system.

Regarding the blank, this Court said:

> "The lens blanks are rough opaque pieces of glass of suitable size, design and composition for use, when ground and polished, as multifocal lenses in eyeglasses. Each blank is composed of two or more pieces of glass of different refractive power, of such size, shape, and composition and so disposed that when fused together in the blank it is said to conform to the specifications and claims of some one of the Corporation's patents." (p. 244.)

That this Court suggested that the sale of the novel blank by one unlicensed under the Univis patent would constitute a contributory infringement, has a very remote bearing upon whether the manufacture and sale by petitioner of a thermostatic switch capable of use in the Cross system, as well as elsewhere, to perform the well-known characteristic function of a thermostatic switch, constitutes a contributory infringement of the Cross patent.

ROYALTIES ARE NOT PAID ON CROSS INVENTION BUT ON AN UNPATENTED THERMOSTATIC SWITCH.

Counsel for respondent, Mid-Continent, assert, page 32 of their brief, that Mid-Continent "receives its sole benefit from the patent by means of royalty payments which are paid to it by its licensees." The royalties which are paid, however, are not for the installation or use of the system claimed in the Cross patent, but on the sale of an unpatented combustion stoker switch adapted for use in combination with other devices in installing the Cross system.

The agreement through which respondent, Mid-Continent, granted an exclusive license under the Cross patent to respondent, Minneapolis-Honeywell, recites in paragraph 2 thereof (R. 459) that it was "jointly and severally agreed by the parties hereto that royalty payments to be made hereunder should be *made or based only* upon what are known to the parties hereto as a 'combustion stoker switch' which is * * * adapted, in combination with other devices and apparatus, for the control of automatically operated coal fuel stokers; * * *."

The exclusive licensee is required to render yearly reports to Mid-Continent "setting out the total number of licensed combustion stoker switches sold by it and its sublicensees" (R. 460), and "said switches shall be considered to be sold when billed out, or if not billed out, then

when delivered, or when paid for, if paid for before delivery; * * *" (Paragraph 7.)

The license agreement therefore is perfectly definite that royalties are to be paid on the sale of combustion stoker switches *adapted* for use in combination with other devices for control of automatically operated coal fuel stokers, and not on the installation or use of the patented Cross system.

The statement made on page 36 of the brief for Mid-Continent that "the only revenue which Mid-Continent receives from the patent is royalties on each system actually in existence," is at variance with the express terms of its license agreement with respondent, Minneapolis-Honeywell.

Mr. Owens, vice-president of the Mercoid Corporation, testified that it frequently was as long as two years after the sale of a stoker switch was made before it would be put into use (R. 371). His testimony was corroborated by Mr. Cross in testifying for respondents (R. 438).

Mr. Schultz, a witness for petitioner, testified as follows:

> "Q. Mr. Schultz, do you know that when you sell these controls to manufacturers or dealers for the manufacturers of heating systems, or when you sell them directly to the manufacturers of automatic electrically operated systems employing oil or coal as the fuel, whether or not these manufacturers or dealers follow your suggestions as to the location of these controls? Do you know that definitely?
>
> "A. No; we never know whether our recommendations are followed." (R. 256).

As actual statements of sales of combustion stoker switches are required to be furnished, it is obvious that when such statements are rendered and royalty remittances made on the sale of combustion stoker switches, if

may be that many of such switches have not been and may never be used on the Cross system, and hence the payment of royalty on the sale of the switch is not equivalent to the payment of a royalty on the installation of the Cross system. Mid-Continent therefore in its exclusive license with Minneapolis-Honeywell is exacting a royalty not on the use of the Cross invention but on the sale of an unpatented thermostatic switch.

The same is true as to the license which was tendered by respondents to petitioner under the Cross patent, except that royalties were required from petitioner to be paid quarterly (R. 693).

The practice of respondents condemned by the decisions of this Court involves the deriving of profit not from the invention for which the patent is a monopoly, but from an unpatented device for use in the patented combination.

PETITIONER UNFAIRLY CRITICIZED BY MID-CONTINENT.

Counsel for Mid-Continent seek to divert attention from the improper use of the Cross patent and from the violation by respondents of the Anti-Trust laws, by criticizing petitioner's conduct. They assert that petitioner "just copied, just plagiarized, just profited from unlawful infringement" (page 31).

Even if respondents' assertion were correct, which it is not, it does not excuse or justify respondents' improper use of the Cross patent to monopolize an unpatented device, nor its violation of the Anti-Trust laws, which are acts in derrogation of public rights,

The record, however, completely refutes any unfair acts by petitioner. The correspondence between petitioner and respondent Mid-Continent's predecessor, Cross Coal-O-Matic Co., from June 13, 1929, until November 11, 1930 (R. 614 to 625), shows that respondent was applying to

petitioner for help as to the best type of thermostatic switch to use in the Cross system. The Cross Coal-O-Matic Co. on August 20, 1930, wrote petitioner requesting that it recommend controls that should be used in small domestic stokers both as a limit control "as well as low temperature limit control" (R. 620).

Petitioner in its reply of August 28, 1930, to Cross Coal-O-Matic Co., stated regarding its M-51 and M-53 controls:

> "it will operate in such a manner that when the temperature drops to about 100° in the stack, the control will cut in and start the burner stoker."

On September 2, 1930, the Cross Coal-O-Matic Co. wrote petitioner:

> "We wish to thank you for your letter of August 28th enclosing recommendation for M-53 and the M-51 temperature control." (R. 624.)

Petitioner therefore assisted respondent, Mid-Continent, in its efforts to decide what type of stoker switch would be best for use in the Cross system. Petitioner, in selling its M-61 and later types of thermostatic switches, did so in pursuance of its business of furnishing whatever forms of thermostatic or pressure switches might be desired by its customers.

Mr. Owens, petitioner's Executive Vice-President, testified:

> "A. We were selling any type they wanted. We were not recommending any particular type. We were selling the type they wanted, any type they wanted."
>
> "Q. And those recommended for stoker control, is that right?
>
> "A. The kind commonly used for stoker control, we made no recommendation. We sold them whatever they wanted." (R. 366.)

RESPONDENTS' INCONSISTENT POSITIONS.

Respondent, Mid-Continent, repeatedly states that it is complaining only as to "special controls" or "special devices" (Brief, pp. 14, 17, 42) sold by petitioner for use in installing the Cross system, and that there is no complaint as to petitioner's M-51 thermostatic switch (Brief, pp. 6, 43), and that it has never objected to "old and well-known thermostatic controls" (Brief, p. 28). The contributory infringement alleged therefore resides not in the sale of an element of the Cross patented system, but in so modifying that element as to better adapt it for the Cross combination.

The record, however, is to the contrary. On November 21, 1932, respondent, Mid-Continent, notified petitioner of infringement of the Cross patent (R. 657), in which it said that:

> "* * * the sale or use of *any automatic stoker control* that is actuated by the predetermined temperature of the combustion space for preventing extinguishment of fires in operating low heat requirement conditions, no matter where the control is placed, *is an infringement of United States patents 1,758,146* and 1,758,147."

In a letter written September 28, 1932, by Mid-Continent to the Brownell Company, a customer of petitioner, the statement was made:

> "*Any method of using automatic control instruments for preventing extinguishment of fire,* if such control is 'actuated by a predetermined minimum temperature for said combustion space for preventing extinguishment of the fire when operating under low heat requirement conditions,' *would come within the scope of this patent.*" (R. 647.)

In a letter written July 7, 1940, from the attorney for

respondent, Mid-Continent, to the attorney for petitioner, it was stated regarding petitioner's type M-61 and M-51 as follows:

> "However, if the latter control should be employed for purposes of fire bed maintenance, then it also would come within the purview of the Cross patent." (R. 501.)

In a letter to petitioner dated August 1, 1940, from the attorney for the respondent, Mid-Continent, the following statement was made:

> "* * * Accordingly, we are preparing to file suit against you and will endeavor to collect royalties upon *every control you have sold of a type which might possibly infringe the Cross patent*, and will ask for triple damages and costs." (R. 709.)

Respondent, Mid-Continent's assertion now is that it is complaining only that "special controls" are violations of its rights under the Cross patent, which is obviously inconsistent with its attitude prior to this suit, and inconsistent with its argument that the stoker switch is the heart of the Cross invention. The heart of a patented invention must be disclosed in the patent. The Cross patent suggests no "special controls" nor "special devices" for preventing the fire from going out, but merely discloses "an old and well-known thermostatic control." Mr. Cross, Jr., a witness for respondents, admitted that the stoker switch was not the invention of his father, the patentee (R. 112).

Respondents, through their exploitation of the Cross patent, are not merely extending the monopoly to cover an unpatented thermostatic switch, but to cover something not disclosed or even suggested by the patent, namely, "special controls" or "special devices."

In the *Carbice* and the *Leitch-Barber* cases, the patent owners were extending their monopolies to cover something at least disclosed in their patents, but the respondents in the instant case are extending their monopoly to include an unpatented device not even disclosed in the Cross patent.

CROSS' ALLEGED ADVANCE IN THE ART.

Counsel for respondents frankly admit that the Cross patent covers a combination of elements, and not any particular element *per se* (Mid-Continent Brief, p. 5), and consequently that "the device which Mercoid makes and sells is 'unpatented' in the sense that it is not separately covered by one of the claims of the Cross patent" (Mid-Continent Brief, p. 12), and Minneapolis-Honeywell (Brief, p. 6) states:

> "The Cross patent was for a combination of elements in a coal burning, stoker fired furnace."

Respondents, notwithstanding their admissions of the obvious fact that the stoker switch is merely one of a combination of elements in the Cross patent and is not patented *per se*, in an effort to avoid the pertinency of the *Carbice* and *Leitch-Barber* decisions of this Court and to justify their conduct under the much earlier decision in the *Leeds & Catlin* case, 213 U. S. 225, contend that the stoker switch is the advance in the art made by Cross, and is the heart of the Cross invention.

Minneapolis-Honeywell (Brief, p. 6) states that the thing Cross did that was new and constituted *his advance in the art* was the provision of a thermostatic control actuated by temperature in the furnace for starting the stoker when the temperature got so low that the fire might go out, and respondent, Mid-Continent (Brief, p. 14), states regarding the three special devices, the sale of which by petitioner is complained of as contributory infringement of the Cross patent:

"This type of control is the *active essential element* of the Cross patented combination."

On page 37 of its brief, Mid-Continent quotes and emphasizes the testimony of Mr. Cross that the stoker switch is the heart of the Cross invention.

As we have above pointed out, the heart of the invention, or the advantage in the device, as disclosed in the Cross patent, is an "ordinary thermostatic switch" which respondents stoutly assert is not complained of as a contributory infringement of the Cross patent.

It therefore is clearly evident that the alleged similarity between the facts in the case at bar and those in the *Leeds & Catlin* case is entirely wanting.

It is a well-established principle of patent law that when a patented invention resides in a combination of cooperating elements, all of the elements, and no one of them alone, constitutes the "advance in the art" and the "heart of the invention."

This Court in *Schumaker* v. *Cornell*, 96 U. S. 549, 554, stated the law as follows:

> "The patent is well entitled for an improvement. It could be for nothing more.
>
> "Nothing is claimed separately. Every thing is claimed together and in the aggregate. If any thing was withdrawn, and no equivalent supplied in its place, the instrument would be a failure. Each element is a part of a compound unit, and is necessary to the completeness and efficacy of the result."

This Court in *Rowell* v. *Lindsay*, 113 U. S. 97, 101, again stated the law upon this point as follows:

> "The patent of the plaintiffs is for a combination only. None of the separate elements of which the combination is composed are claimed as the invention of the patentee, therefore none of them standing alone

are included in the monopoly of the patent. As was said by Mr. Justice Bradley in the case of *The Corn-Planter Patent*, 23 Wall. 181, 224: 'Where a patentee, after describing a machine, claims as his invention a certain combination of elements, or a certain device, or part of the machine, this is an implied declaration, as conclusive, so far as that patent is concerned, as if it were expressed, that the specific combination or thing claimed is the only part which the patentee regards as new. True, he or some other person may have a distinct patent for the portions not covered by this; but that will speak for itself. So far as the patent in question is concerned, the remaining parts are old or common and public.' See also *Merrill* v. *Yeomans*, 94 U. S. 568, 573; *Water Meter Co.* v. *Desper*, 101 U. S. 332, 337; *Miller* v. *Brass Co.*, 104 U. S. 350. These authorities dispose of the contention of the plaintiff's counsel that their patent covers one of the separate elements which enters into the combination, namely, a slotted wooden beam, because, as they contend, that element is new, and is the original invention of the patentees."

This Court in its later decision in *Leeds & Catlin* v. *Victor*, 213 U. S. 301, 318, again stated the law as follows:

"* * * Certainly, one element is not the combination nor in any proper sense can it be regarded as a substantive part of the invention represented by the combination, and it can make no difference whether the element was always free or becomes free by the expiration of a prior patent, foreign or domestic."

In view of the foregoing authorities, the Court of Appeals and respondents are in error, as a matter of law, in holding that the furnace control, which is only one of several cooperating elements of the combination in which Cross' system resides, is the "advance in the art" or the "heart of Cross' invention."

M-61 INSTRUCTIONS.

Respondent, Mid-Continent, in support of its charge of contributory infringement of the Cross patent, lays much stress on the fact that petitioner gives instructions in its catalogues and to purchasers regarding the use of its M-61 and later thermostatic controls TJV, M-11 and JMV. Petitioner's business is, and has been for many years, the manufacture and sale of temperature and pressure controlled switches, and it has made a practice of informing its customers as to the uses of its products and the circuits which they may control.

As illustrative of this practice of petitioner, reference is made to its various catalogues and bulletins in evidence, such for instance as Bulleti C of April, 1923 (R. 516); its Bulletin D of April 1, 1924 (R. 512); its Bulletin E1 of March, 1925 (R. 508), and Catalogue No. H5 of 1930 (R. 538).

Petitioner is not accused of anything but contributory infringement. Its acts complained of are selling controls and telling its customers how to use them. These acts were the same prior to Cross as subsequent to Cross.

To the manufacturer, such as petitioner, of thousands of temperature and other circuit controlling devices, many involving modifications of existing devices, the intended use by the purchaser is not always known to or of concern except as to the details involved in the particular device desired by the customer to fill an expressed need. The instructions accompanying the sale of controls are representative of the choice of and are largely dictated by the consumer according to his suggested use, and there is no requirement on the part of the control manufacturer as to how the control should be used. Petitioner is interested in selling controlling devices, and their sale is made to its customers for them to use in the best way that their

particular application or skill or past experience justifies or demands. Petitioner is not interested in all the uses to which its products may be put, but only in their sale. It is recognized that uses of temperature controls are varied and may require certain modifications to suit the particular needs of users.

ALLEGED COMMERCIAL USE OF CROSS SYSTEM.

Counsel for Mid-Continent state (Brief, p. 23) that the Courts of Appeals for the Seventh and Eighth Circuits held that the Cross patent was a *basic* patent. Reference to the opinions of said Courts clearly shows that the Cross patent was not characterized as basic. That it is far from basic was the view of Judge Woodrough, expressed in his dissenting opinion in *Mid-Continent* v. *Smith*, 106 F. (2d) 631, who convincingly explained that in his opinion the Cross patent was not basic but invalid as covering no invention but merely that which was obvious to anyone desiring to avoid the fire in his furnace going out.

That counsel for respondents do not themselves regard the Cross patent as basic clearly appears from their argument that "the stoker industry began to make tremendous strides" after the Cross patent was issued (Brief, p. 23). The extent of commercial use of a patented invention is only pertinent when there is a real doubt as to whether the patent discloses an invention, and when counsel of a patentee relies upon commercial use of the patented invention, it is an admission that it is of such doubtful validity that it cannot be saved except by reliance upon extensive commercial use.

The argument of respondents' counsel that Cross solved a problem which resulted in the stoker art making tremendous strides, is somewhat prejudiced by their recognition (Brief, p. 44) that the timer control system, exploited

by Iron Fireman and Sears, Roebuck, as distinguished from the Cross temperature control system, accounted for a large percentage of the stoker installations.

The reason for the large increase of the use of coal stokers commencing about 1930 is plausibly explained by petitioner's witness, Schultz, as follows:

> "Q. Back in 1930-1931, did you, as well as others, running The Mercoid Corporation, anticipate a great development in the use of stokers, automatic stokers for domestic purposes?
>
> A. I have already testified that in 1930, or shortly thereafter, the stoker manufacturers were having a phenomenal growth throughout the Midwest. They were actually springing up all over. We had to keep chasing all around the country to keep in contact with them, as they would start making new domestic stokers.
>
> Q. What was responsible for this amazing growth in the demand for stokers?
>
> A. The actual answer to that is that the coal industry finally woke up and they got together and started producing stoker coals and they put money into encouraging the development of domestic stokers, because oil burners, as well as gas burners had been making such inroads into their business that they encouraged the development of stokers, and the stoker not being particularly difficult to engineer, that is, to get some form which would burn coal, manufacturers started springing up all over. Wherever there was a foundry available, they started building stokers of their own design." (R. 268.)

The installation of the Cross system was due to the increased use of stokers, rather than the increased use of stokers being due to the Cross system being available.

CONCLUSION.

Petitioner submits that the arguments presented on behalf of respondents fail to support the judgment of the Circuit Court of Appeals for the Seventh Circuit, and that in view of the facts and the applicable law, it should be reversed.

Respectfully,

GEO. L. WILKINSON,
Counsel for Petitioner.